

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE SHELBY)
VALLEY WATER DISTRICT, A WATER)
DISTRICT ORGANIZED PURSUANT TO)
CHAPTER 74 OF THE KENTUCKY)
REVISED STATUTES, OF PIKE COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY,)
AUTHORIZING AND PERMITTING SAID)
WATER DISTRICT TO CONSTRUCT A)
NEW WATERWORKS DISTRIBUTION SYSTEM,) CASE NO. 8248
CONSISTING OF A PUMPING STATION)
AND THE NECESSARY DISTRIBUTION)
SYSTEM AND LINES NEEDED TO SERVE)
WATER TO SAID DISTRICT; (2) APPROVAL)
OF THE PROPOSED PLAN OF FINANCING)
OF SAID PROJECT; AND (3) APPROVAL OF)
THE WATER RATES PROPOSED TO BE CHARGED)
BY THE DISTRICT TO CUSTOMERS OF THE)
DISTRICT.)

O R D E R

Preface

On May 28, 1981, the Shelby Valley Water District ("Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of a new water distribution system. The Utility also seeks approval of the proposed plan for financing the project and approval of proposed rates for providing water service to approximately 605 customers which will be made possible by the proposed construction.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, on July 16, 1981. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes, and no protests were entered.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the Utility's plans and specifications for the proposed project is on file with this Commission.

Test Period

This is a proposed rather than an operating utility and test year information does not exist. Estimated pro-forma expenses were utilized for the determination of revenue requirements and the rates that should produce the required revenue.

Findings in This Matter

The Commission, after a review of the record and being advised, is of the opinion and finds that:

1. The public convenience and necessity requires construction of the proposed water distribution system by the Utility in the area defined in the application.

2. The construction project proposed by the Utility includes approximately 32.4 miles of distribution mains, a master metering station, a 300,000 gallon water storage tank, a booster pumping station, 436 customer service connections, and 6 fire hydrants at a total project cost of approximately \$1,636,400.

3. Any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

4. The \$1,983,000 which has been secured for financing this project is composed of a 40-year FmHA loan in the amount of \$548,000, a \$573,000 FmHA grant, a \$120,000 ARC grant, a \$600,000 E.D.A. grant, an \$80,000 Area Development Funds grant and \$62,000 in contributions from applicants for water service. The interest rate on the loan should be the FmHA rate available at the time the loan is closed. An exceptionally favorable market for obtaining bids has placed the Utility in a position wherein additional construction can be planned within the scope of the \$1,983,000 funding. The FmHA recognizes the needs for the additional construction in the Utility's service area and has agreed that the funded surplus for the current project, amounting to approximately \$346,600, can be used for additional construction. It is, therefore, reasonable to approve the total financing of \$1,983,000 at this time with the stipulation that plans for the additional work should be submitted for Commission approval before construction thereon is begun.

5. The financing of this project as delineated in finding number four herein is for lawful objects within the corporate purposes of the Utility, and is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public.

6. The financing plan for this project provides a \$25,000 initial operations and maintenance fund to be used by the District to supplement its revenues during initial operations. Further that this \$25,000 initial operations and maintenance fund should be established by the District to be utilized proportionately over the first 3 years or more of operations as set forth in the Farmers Home Administration's letter of conditions dated July 21, 1977.

7. The Utility's projected annual revenue requirements, as set forth in the proposed operating budget, are \$100,288, and include annual operating and maintenance expenses of \$61,300 and annual debt service of \$38,988 which includes 20% coverage amounting to \$6,498.

8. The rates and charges as proposed by the Utility and as prescribed and set forth in Appendix A attached hereto and made a part hereof, are the fair, just, and reasonable rates to be charged by the Utility for water services rendered to customers located within its service area in Pike County, Kentucky. Further, that these rates should produce revenues sufficient to meet the projected revenue requirements and therefore, enable the Utility to provide reliable, adequate and efficient service to its customers.

9. A 5/8" x 3/4" meter should be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with the Utility's approved meter size rate schedules.

10. The Utility should file with this Commission a copy of all contracts concerning services provided by or contracted for the Utility which are subject to approval by this Commission.

11. The Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

12. The contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

13. Within 60 days of the date of substantial completion of this construction, the Utility should require the Engineer to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

14. The rules for the furnishing of service set out in the rate resolution are not in agreement with those contained in the Utility's bylaws. The Utility should resolve any items in conflict in accordance with this Commission's Administrative Regulations and file all rules governing the provision of service in the manner prescribed by 807 KAR 5:011E within 60 days of the date of this Order.

15. The charges for customer service connections for which applications and payment are received prior to commencement of construction should be as follows:

<u>Meter Size</u>	<u>Connection Charge</u>
5/8-inch x 3/4-inch	\$ 100
1 inch	225
2 inch	500
4 inch	2,000
6 inch	4,000

Charges for the above listed connections for which applications and payment are received after the commencement of construction should be as set out in Appendix A of this Order.

Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a certificate of public convenience and necessity for construction of a new water distribution system in the area set forth in the application in accordance with the contract plans and specifications of record in this matter.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, approved herein, which could adversely affect the service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance its proposed construction by means of the \$1,983,000 financing that has been secured as follows: \$62,000 in contributions from applicants for service, a \$548,000 FmHA loan at FmHA's current rate of interest (secured by revenue bonds), a FmHA grant of \$573,000, a \$120,000 ARC grant, a \$600,000 E.D.A. grant and an Area Development Funds grant of \$80,000. Further, that this \$1,983,000 in project funds shall be used only for the lawful objects of the Utility as set forth in the application.

IT IS FURTHER ORDERED that the Utility shall establish a \$25,000 initial operations and maintenance fund to be utilized proportionately over the first 3 years or more of operations to supplement its operating revenues as required by the Farmers Home Administration's letter of conditions dated July 21, 1977.

IT IS FURTHER ORDERED that the rates and charges as proposed by the Utility and as set out in Appendix A attached hereto and made a part hereof be and they are hereby fixed as the fair, just and reasonable rates for services to be rendered by the Utility upon the completion of construction of this project.

IT IS FURTHER ORDERED that a 5/8" x 3/4" meter shall be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, any customer with a larger meter, with the exception of special contract customers, shall pay for that service in accordance with the Applicant's approved meter size rate schedule.

IT IS FURTHER ORDERED that the Utility shall file with this Commission all contracts concerning services provided by or contracted for the Applicant which are subject to the Commission's approval within 30 days of the date of this Order.

IT IS FURTHER ORDERED that the Utility shall file with this Commission duly verified documentation showing the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall require the Engineer, within 60 days of the date of substantial completion of the proposed construction, to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall file with this Commission its tariff sheets setting forth the rates and charges approved herein and all rules and regulations of the Utility within 60 days of the date of this Order.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky this 1st day of September, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Katherine Spadale
Vice Chairman

Ann Hargan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8248 DATED SEPTEMBER 1, 1981

The following rates and charges are prescribed for all customers served by Shelby Valley Water District.

For the various size connections for premises to which water service is to be made available, the following connection charges shall be made:

<u>Size of Connection</u>	<u>Charges for connections applied For and/or paid after the Commencement of construction Of the new Waterworks System</u>
3/4 inch	\$ 500
1 inch	600
2 inch	1,000
4 inch	4,000
6 inch	5,000

CONNECTION CHARGES FOR FIRE PROTECTION USAGE

Waterworks connection charges for municipal or private connection to be used exclusively for fire protection purposes are as follows:

<u>Size of Connection</u>	<u>Connection Charge</u>
4 inch	\$3,000
6 inch	4,000
8 inch	5,000

CONNECTION CHARGE FOR INDIVIDUAL FIRE HYDRANTS

For each fire hydrant contracted for or ordered by a City, County, State, Federal Governmental Agency or Institution, private customer, private industry or private institution, the connection and installation charge shall be \$2,500.

MINIMUM WATER RATES BASED ON SIZE CONNECTIONS

<u>Size of Water Meter Connection</u>	<u>Number of Gallons Of Water Per Month To Be Provided For The Minimum Rate</u>	<u>Minimum Monthly Water Rate Per Connection</u>
3/4 inch	2,000 gallons	\$ 8.25
1 inch	15,000 gallons	33.25
2 inch	50,000 gallons	89.50
4 inch	100,000 gallons	158.25
6 inch	150,000 gallons	220.75

METER RATES FOR WATER USAGE IN ADDITION TO MINIMUM CHARGES

<u>Number of Gallons Of Water Per Month</u>	<u>Monthly Charge Per 1,000 Gallons</u>
First 2,000 gallons	\$8.25 Minimum Charge
Next 3,000 gallons	2.50
Next 25,000 gallons	1.75
Next 45,000 gallons	1.50
All Over 75,000 gallons	1.25

MULTI-UNIT MASTER METER AGREEMENTS

For customers who have requested water service through a master meter for multi-unit service and who have executed a multi-unit master meter agreement, the monthly charge shall be the larger of:

- (1) The minimum monthly rate for a 3/4 inch meter \$8.25, multiplied by the number of units in the multi-unit facility; or
- (2) An amount equal to the charge, based on the schedule based on the monthly charge above, for the average number of gallons of water used per unit, multiplied by the number of units in the multi-unit facility.

FIRE CONNECTIONS

The monthly charge for each municipal or private connection to the water mains of the District used exclusively for fire protection purposes, based on the size of the respective connections, shall be as follows:

(Continued) FIRE CONNECTIONS

<u>Size of Connection</u>	<u>Monthly Charge</u>
4 inch	\$12.50
6 inch	25.00
8 inch	50.00

MUNICIPAL OR PRIVATE HYDRANTS

Monthly charges for municipal or private fire hydrants used exclusively for fire protection purposes, shall be as follows:

	<u>Monthly Charge</u>
For each fire hydrant, contracted for or ordered by a City, County, State, or Federal Governmental Agency or Institution	\$12.00
For each private fire hydrant contracted for by an industry or a private institution	12.00
For each water customer whose premises is located within 500 feet, as measured along a public street or road, of a private fire hydrant not contracted for by industries or private institutions	.50